

## Message Text

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FM AMEMBASSY BUCHAREST

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INFO USMISSION EC BRUSSELS

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C O N F I D E N T I A L BUCHAREST 0516

E.O. 11652: GDS

TAGS: ETRD, GATT, RO

SUBJ: GATT WORKING PARTY ON ROMANIAN TARIFF

REF: (A) EC BRUSSELS 228 (B) BUCHAREST 5654 (C) GENEVA 7314

(D) STATE 010011

1. SUMMARY: IN PREPARATION FOR NEXT GATT WORKING PARTY MEETING, ROMANIA IS MAKING A SUBSTANTIAL EFFORT TO GAIN ACCEPTANCE FOR ROMANIA'S TARIFF SYSTEM BY THE US AND OTHER DEVELOPED COUNTRIES. I RECOMMEND THAT WE CONTINUE TO GIVE A SYMPATHETIC HEARING TO ROMANIAN ARGUMENTS AND THAT WE NOT BECOME TOO CLOSELY ASSOCIATED WITH THE EC POSITION ON THIS ISSUE. I WOULD ALSO APPRECIATE LEARNING WASHINGTON'S VIEWS ON THE SUBSTANCE AND TACTICS FOR THE RESUMED GATT WORKING PARTY. END SUMMARY.

2. AMBASSADOR CONSTANTIN OANCEA, MFA DIRECTOR FOR RELATIONS WITH DEVELOPED COUNTRIES, ASKED ME FOR A MEETING FEBRUARY 5, IN WHICH HE REQUESTED US SUPPORT FOR ROMANIA WHEN GATT WORKING PARTY RESUMES ITS REVIEW OF THE ROMANIAN TARIFF SYSTEM. HIS BASIC ARGUMENT  
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WAS THAT THE TARIFF WAS ONE OF MANY STEPS TAKEN BY ROMANIA

OVER THE PAST FEW YEARS TO DEVELOP ITS ECONOMY AND INTERNATIONAL ECONOMIC RELATIONS ON A MULTILATERAL AND ECONOMICALLY RATIONAL BASIS. OTHER MEASURES INCLUDED IMPROVEMENTS IN THE PLANNING SYSTEM IN 1970 TO INCREASE THE PARTICIPATION OF MINISTRIES AND INDUSTRIAL CENTRALS IN THE MAKING OF THE PLAN; LEGISLATION TO PERMIT FOREIGN INVESTMENT IN JOINT VENTURES; PERMISSION FOR FOREIGN FIRMS TO HAVE REPRESENTATIONS AND A US BANK TO OPEN A BRANCH IN BUCHAREST; AND MEMBERSHIP IN GATT, IBRD AND IMF. ROMANIA THEREFORE WANTS THE WORKING PARTY TO TAKE A DEFINITIVE AND POSITIVE POSITION ON THE ROMANIAN TARIFF. ROMANIA FEELS THAT THE TARIFF HAS BEEN IN OPERATION LONG ENOUGH (ALMOST A YEAR) TO JUSTIFY SUCH A STEP. HE ACKNOWLEDGED THAT THE ROMANIAN TARIFF DID NOT AND COULD NOT BE EXPECTED TO FUNCTION IN THE SAME MANNER AS A MARKET ECONOMY BUT HE MAINTAINED ITS ESSENTIAL FUNCTION AS A REATIONALIZING ECONOMIC LEVER WAS THE SAME. WHEN I ASKED TWICE WHETHER ROMANIA'S COMMITMENTS UNDER THE ACCESSION PROTOCOL WOULD REMAIN, OANCEA REPEATED THEY WOULD. HE CLAIMED THAT ROMANIA HAD MORE THAN FULFILLED ITS IMPORT COMMITMENTS, BUT POINTED OUT, HOWEVER, THAT OTHER GATT MEMBERS HAD NOT CARRIED OUT THEIR COMMITMENTS TO END QUANTITATIVE RESTRICTIONS ON IMPORTS OF ROMANIAN PRODUCTS. HE SAID ROMANIA'S AIM WAS TO BE TREATED THE SAME WAY AS OTHER GATT MEMBERS. I RECALLED US QUESTIONS EXPRESSED AT GENEVA REGARDING THE ROLE OF THE TARIFF IN AN ECONOMY SO HIGHLY CENTRALIZED AS ROMANIA'S. OANCEA ACKNOWLEDGED THAT THE ISSUE WAS A HIGHLY SPECIALIZED ONE, AND SUGGESTED A MEETING OF US AND ROMANIAN EXPERTS AT GENEVA PRIOR TO THE WORKING GROUP SESSION TO EXAMINE ANY ASPECTS OF THE TARIFF WHICH MIGHT BE NECESSARY TO GAIN US SUPPORT. HE CONCLUDED BY GIVING ME AN AIDE-MEMOIRE COVERING THE SAME GROUND.

3. A NUMBER OF OTHER AMBASSADORS FROM DEVELOPED MARKET ECONOMY COUNTRIES ARE BEING CALLED IN FOR DISCUSSIONS OF THE ROMANIAN TARIFF AND GATT, PRESUMABLY ALONG LINES PARALLEL TO MY CONVERSATION WITH OANCEA. THE SWISS AND BRITISH AMBASSADORS HAVE ALREADY BEEN RECEIVED.

4. ALTHOUGH OANCEA'S REMARKS DID NOT GO INTO MULTILATERAL TRADE NEGOTIATIONS, IT SEEMS LIKELY THAT GOR IS CONCERNED ABOUT ROLE OF ITS TARIFF IN MTN, AS SUGGESTED BY KAWAN IN REFTTEL A.

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5. COMMENT: ROMANIA WILL BE SEEKING TREATMENT AS A DEVELOPING COUNTRY DURING MTN, WHETHER OR NOT ITS TARIFF IS CHALLENGED. TO THE EXTENT THAT ITS CREDENTIALS AS A DEVELOPING COUNTRY ARE ACCEPTED, IT SEEMS PLAUSIBLE TO ASK WHETHER THE STRINGENT REQUIREMENTS OF THE ROMANIAN PLANNING SYSTEM LIMIT OR THREATEN WESTERN EXPORTS MORE THAN, FOR EXAMPLE, THE IMPORT-LICENSING SYSTEMS EMPLOYED BY OTHER LESS DEVELOPED COUNTRIES

TO CONSERVE FOREIGN EXCHANGE FOR THEIR DEVELOPMENT PLANS. ROMANIA MAINTAINS A DEFICIT IN ITS TRADE WITH MARKET COUNTRIES, AND ITS NEXT FIVE-YEAR PLAN CALLS FOR HEAVY CAPITAL GOODS IMPORTS, MUCH OF WHICH WILL COME FROM WESTERN SOURCES.

6. ROMANIA'S TENDENCY TO LINK ITS IMPORT COMMITMENT UNDER THE PROTOCOL OF ACCESSION TO GATT TO EC AND SCANDINAVIAN COMMITMENTS TO END QUANTITATIVE RESTRICTIONS ON ROMANIAN PRODUCTS IS UNDERSTANDABLE, ESPECIALLY SINCE THEY INSIST THEY HAVE KEPT THEIR COMMITMENT AND THE OTHERS HAVE NOT. ACCORDINGLY, I BELIEVE IT WOULD BE UNFORTUNATE FOR US TO JOIN WITH THE EC IN ITS CONCEPTUAL ASSAULTS ON THE ROMANIAN TARIFF IN SUCH A WAY AS TO HELP JUSTIFY EC QUANTITATIVE RESTRICTIONS.

7. OUR SCEPTICISM (SEE REFTEL B) ABOUT THE ECONOMIC EFFECT OF ROMANIA'S TARIFF CONTINUES. EVEN IF THE TARIFF DOES ALL THAT OANCEA AND PETRESCU (GENEVA 7314) SAY IT DOES, WE DO NOT HAVE ACCESS TO ENOUGH CORROBORATIVE EVIDENCE. AT THE SAME TIME IT IS TRUE THAT THE STEPS MENTIONED BY OANCEA HAVE BROUGHT ROMANIA CLOSER TO NORMAL TRADING PRACTICES, AND WE WOULD NOT WANT TO TREAT THE ROMANIAN TARIFF QUESTION IN SUCH A WAY AS TO HAMPER FURTHER ROMANIAN RATIONALIZATION PROCESS, UNEVEN THOUGH IT MAY BE. IN OUR VIEW, THE POSITION TAKEN BY THE US AT GENEVA IN DECEMBER WAS JUST RIGHT -- DEMONSTRATING A WILLINGNESS TO BE HELPFUL TO THE GOR, BUT HAVING ECONOMIC CONCERNS WHICH WE SHARE WITH OTHER COUNTRIES. IT IS NOT CLEAR TO US HOWEVER, WHERE WE STAND IN OUR DISCUSSIONS WITH THE EC, SINCE WE HAVE SEEN NO REPORT OF DEPT. ASST. SEC. GLITMAN'S DISCUSSIONS IN BRUSSELS (REFTEL D). NOR IS IT CLEAR HOW DEFINITIVE A POSITION THE WORKING PARTY HAS TO TAKE IN GENEVA LATER THIS MONTH. IS IT POSSIBLE FOR EXAMPLE TO GIVE A QUALIFIED ENDORSEMENT TO THE ROMANIAN TARIFF AS A COMMENDABLE TRY WHOSE RESULTS ARE TOO DIFFICULT TO JUDGE YET? IN ANY EVENT, IT WOULD SEEM OUR MAJOR INTEREST

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IS IN THE GOR IMPORT COMMITMENT AND IMPORT PERFORMANCE. OANCEA'S COMMENTS ON THE FORMER SEEM TO INDICATE AT LEAST A TEMPORARY RETREAT FROM ROMANIAN POSITION IN DECEMBER, AND ON THE LATTER QUESTION ROMANIAN PERFORMANCE HAS BEEN VERY GOOD FROM US STANDPOINT.

8. WOULD WELCOME CURRENT WASHINGTON THINKING ON US APPROACH TO WORKING GROUP MEETING SO WE CAN COMMENT MORE APTLY.

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